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DRUG STORE NEWS®

Vol. 8/No. 23 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. October 27, 1986

Lucky to shed Gemcos; Dayton Hudson buys 54

By Lou Karney

DUBLIN, Calif. — Lucky stores has finally decided to close its unprofitable Gemco division.

It will sell 54 of the 80 stores to Dayton Hudson for $374 million. Dayton Hudson will reopen them as Targets in the middle of 1987.

Proceeds from the eventual sale of all 80 locations are expected to total $700 million, with after-tax proceeds of about $450 million.

Some 26 locations remain to be sold, including four in Nevada, six in Arizona and 16 in California. Expansion-hungry Ralphs and Vons, who are No. 1 and No. 2 in the southern California supermarket field, are expected to make offers, sources said.

Gemco pharmacies

Of interest to drug operators is that all 80 Gemcos have prescription departments. If Target follows its Fed-Mart scenario, it will sell the Rx files. When Target bought the 33 former Fed-Mart locations in 1982, it sold the Rx files to Gemco for a reported $2 million.

Target operates 18 pharmacies in its 247-store division, and all of them are in the Minneapolis/St. Paul area. Target has installed pharmacies in new stores only in this area. Over the past years, Target has closed prescription departments in other states.

Says Ed Pelant, director of pharmacy operations for Snyder's Drug Stores: "Target's pharmacies in the Twin Cities have been making money. One reason may be that they are close to headquarters."

How will Lucky dispose of its prescription files in Gemco stores?

Lucky execs would not comment. However, there are three likely possibilities:

(1) Move the Rx departments into the closest Lucky

See **Lucky,** *page 54*

'TE NEWS....LATE NEWS....LATE NE

PAY 'N SAVE announced that Gerald Nathanson had been named vice chairman and ceo of the Seattle-based drug chain, replacing Mac Allen Culver, 44, who resigned. Nathanson, 49, was formerly vice chairman of McCrory Stores, a division of Rapid American.

Camera captures RFX winners

0026934C DR
KEVIN KENDRICK 31
CONGRESSIONAL INFO SVC 1FT
4520 EAST WEST HWY STE 800
BESTHESDA MD 20814
37

Peoples poised to sell Fla. SDMs to Eckerd

ALEXANDRIA, Va. — Peoples Drug Stores is on the brink of selling its 36-store Shoppers Drug Mart division to Jack Eckerd Corp., apparently abandoning the promising Florida market.

At presstime, sources said Peoples was close to an agreement with Eckerd, which could use the stores itself to strengthen its grip in many growing communities.

The SDM stores, which were transferred to Peoples' control in May 1985 by parent Imasco, were to be the cornerstone of a major push into Florida growth markets. The stores are clustered in areas throughout the state, including the east coast markets of Fort Lau-

See **SDM,** *page 54*

FLORIDA LISTINGS

CHANCE OF A LIFETIME!

Entire chain for sale but owner may consider partial deal for 75 stores in exploding retirement market if price is right. Extras galore. Call Sherwin-Williams (Gray Drug Fair), Cleveland.

DON'T MISS THIS ONE!

Move right in and take over dream locations in country's hottest market. Thirty-six stores in mint condition. Must be seen to be believed. Call Peoples Drug Stores, Alexandria, Va.

ABSOLUTELY WONDERFUL!

Won't last. Fabulous diamond-in-the-rough looking for owner with a yen for market supremacy. Seventy-five top-flight locations in sunniest of markets. Call Kroger (SupeRx).

Sunbelt SupeRxs on block

By Dave Vaczek

CINCINNATI — The Kroger Co. will sell its SupeRx Drug stores in Arizona and in its Southeastern region to a buyer from outside the company, industry sources said. Most of the remaining stores—its SupeRx and Hook Drug stores in the Midwest—will be sold to an investor group comprised of management of the SupeRx and Hook chains, they added.

Sources said up to 145 stores of the 891-store division could be sold in the Sunbelt markets, where they are less valuable as continuing operations and more valuable for their real estate.

The majority of stores, as Kroger leaves the drug store business, will be organized in a private company in a $450 million to $500 million leveraged buyout, arranged by investment banker Goldman Sachs. Kroger, which said the drug assets will be sold "in a series of private transactions," possibly including a leveraged buyout, will retain a minority interest in the new company, sources say.

Retail industry sources said the supermarket giant wants to sell separately 39 stores in Phoenix and 106 stores in Florida, Alabama and Georgia to raise capital. That will mark its exit from the drug store business after 24 years as owner of SupeRx.

To Keep Fla. combos

Kroger will keep 28 SupeRx mini food/drug combos in Florida, which SupeRx had

See **SupeRx,** *page 54*

Wal-Mart/Cullum hypermarts set

BENTONVILLE, Ark. — Hypermarkets are coming to the United States, and a partnership between Wal-Mart and Cullum will accelerate that trend.

The joint venture of Wal-Mart and Cullum to build 150,000-200,000-sq.-ft. Wal-Mart Super Centers is another encroachment on drug store type merchandise: Rx, H&BA, housewares, hardware, sporting goods, photo, greeting cards, toys, lawn and garden, and auto.

Although some hypermarkets (such as Bigg's) do not have pharmacy departments, David Glass, president of Wal-Mart, told *Drug Store News:* "Wal-Mart Super Centers will have them because they are needed—not only for their traffic-drawing potential, but because they help provide a complete one-stop service. Besides, we have been very successful with pharmacies at Wal-Mart."

Glass added, "We are now working on our merchandising plan for pharmacy as well as other departments."

Originally, the stores were to have been in the 150,000-sq.-ft. range, but Glass said "they will probably be larger, because I don't think all departments will fit into 150,000 sq. ft. However, I am not sure

See **Wal-Mart,** page 54

NEWS IN BRIEF

Perry offering replacement contacts

PONTIAC, Mich. — Perry Drug has begun to offer replacement contact lenses in Michigan and Illinois stores this month, at prices it said are 40% lower than ophthalmologists and optometrists charge.

Assistant vp-merchandising Stephen Lund called the move "a natural progression of our role as a health care provider."

Perry already offers dental service, home health care supplies and durable medical equipment in many stores.

Genovese antitakeover plan in effect

MELVILLE, N.Y. — An antitakeover measure approved by shareholders at Genovese's annual meeting this summer has become effective.

Genovese Drug Stores has merged into a newly created, wholly owned subsidiary of the same name but organized under Delaware law, which gives companies greater flexibility to enact antitakeover provisions.

Holders also voted at the time to let Genovese increase its authorized number of common shares to 50 million from 20 million and divide stock into two classes with different voting rights.

All measures were intended to prevent a hostile takeover of the 80-store chain.

Wholesaler ruled not obligated to probe origin of goods

A U.S. appeals court has ruled that a New York wholesaler was not obligated to investigate agreements behind the sales of Johnson & Johnson baby products and toothbrushes it bought last year on the gray market.

In overturning a preliminary injunction issued by a district court against Quality King Manufacturing Inc. and Quality King Distributors Inc., the court said the wholesaler isn't required to conduct an "elaborate investigation" into the origin of the goods.

Quality King bought the goods, including 75,000 dozen toothbrushes, from a British diverter, who obtained them from Dal International Trading Co., a Polish company. Dal had purchased them from Johnson & Johnson under a pact that J&J alleged said they were to be sold only in Poland.

Beer bill scotched

WASHINGTON — Drug store industry lobbyists have defeated the controversial "Beer Bill" that they argued would effectively eliminate price competition among beer wholesalers, adding millions to the cost of beer prices by enforcing exclusive sales territories.

But supporters of the bill, including the National Beer Wholesalers Association, gained commitments from Senate leaders that will ensure a new congressional showdown over the "Malt Beverage Interbrand Competition Act" next year.

The bill, opposed by both NACDS and NARD, would allow brewers to enforce exclusive territories for wholesalers, forcing retailers to purchase from only one authorized distributor.

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Vol. 8, No. 23 October 27, 1986

Thrift solos with DME, carving niche in Atlanta

ATLANTA — Thrift Drug has begun its own delivery and service program for durable medical equipment in this market, following a 3½-year joint venture between a DME distributor and 280 of its stores.

The 356-store Pittsburgh-based chain will ship and service a full line of DME equipment in the Greater Atlanta market as part of its new Trust Health Care program. The program kicked off on Oct. 6 with the opening in Smyrna, Ga., of a 6,500-sq.-ft. warehouse. Since 1982, Thrift has offered the home health care equipment by displaying a brochure and 800 telephone number for ordering in an in-store fixture, with the dealer company carrying the inventory and handling delivery.

The extended commitment to the DME business is a logical tie with Thrift's emphasis on health care.

Image will carry over

"Customers have developed a trust and a good relationship with our pharmacists, and we think it's natural they will think of us for their other health care needs," a Thrift spokesman said.

Customers can order home delivery from their homes or in the store. Two former Thrift store managers, who have worked with Thrift's existing program, will also oversee operations and marketing with three delivery trucks covering the metro Atlanta area.

Thrift picked Atlanta after assessing demographic factors. Although the area supports a growing home health care market, competition from local and national DME dealers is keen, the chain source said.

Thrift will attempt to carve its share by emphasizing strong ties to the health care customer, and its retailing expertise. It will follow a detailing program to hospitals, nursing homes and doctors with an ad campaign.

"This is a business where you have to run efficiently and with customer sensitivity and have a long-term commitment," the spokesman said.

Medicare schedule dictates

DME pricing is typically driven by the Medicare schedule, with 75% to 80% of DME business typically covered by Federal reimbursement and up to 90% involving some kind of third-party payments for most or all of the costs.

Equipment will include wheel chairs, hospital beds, oxygen equipment and bathroom fixtures.

Thrift in its joint venture has sold DME equipment through 280 stores in Pennsylvania, New Jersey, Delaware, Maryland, West Virginia and Ohio.

Confidence grows

Retailers set Xmas strategies

NEW YORK — Merchants at the Associated/Affiliated fall buying show here said their inventory levels were generally on plan and they felt increasingly optimistic about the Christmas season.

No one told *Drug Store News* that this Christmas would be a margin killer. The executives of nearly 100 chains in attendance seemed to have a comfort level about sales and profits prospects, despite overall sluggish retail sales so far this year.

Indeed, Perry Drug has had good sell-through on Christmas season giftware imports that it received early and has displayed at full margin since September.

That is one strategy for keeping profits in the seasonal business. Another was noted by Gary Lefferts, president, and Gene Lerner, a partner, of Austin Drugs. They claimed it is important to set a price tone in a market by breaking first with Christmas fliers in the latter half of November. They would also set up seasonal displays at full margin by Nov. 1, they said.

Gary Hendren (left), SupeRx, chats with Mark Varnau and Mary Baker of Hook Drugs at Associated/Affiliated fall buying show which attracted close to 100 chains.

The trick to getting goods early is ordering early, buyers said, and not everyone is doing that in 1986.

Margaret Matteson Urquhart. Wellby Drugs director of merchandising, said her chain is buying more often and closer in to sales periods because this is a tough market to predict.

Associated president Ira Shain said smaller and more frequent ordering "echoes the times."

Another reason for that approach by merchants is "the lack of a lot of new merchandise this year in many categories," said Affiliated buyer Donald Vanecek.

He concurred with other merchants that this won't be a strong trade-up season for consumers, but rather a period in which they opt for basics. Buyers said they were cutting back on the number of suppliers and sku's they deal with in personal care, for instance, perhaps going with one key source and one alternate.

Retailer comments indicated they would rather risk being out of stock on a general merchandise item than having to suffer markdowns. They realize that "drug stores are the secondary choice for consumers for a lot of sundry merchandise, so they can afford to be inventory-conservative," said Vanecek.

That doesn't mean that merchandising flair has been lost entirely.

William Baxley, vp-marketing at Kerr Drug, attributed his strong back-to-school season in part to an image upgrade in its chainwide fliers. Kerr switched to full photography in its every-other-week circulars.

McKesson buys Millbrook

SAN FRANCISCO — McKesson Corp. has taken a step forward in its plans to build a national presence in service merchandising.

The $6.3 billion wholesaler acquired Millbrook Distributors of Leicester, Mass., for an undisclosed sum, adding 11 Northeastern states to its market coverage.

Millbrook is the third service merchandising firm to be acquired by McKesson during the past two years. McKesson bought Rawson Drug & Sundry of San Leandro, Calif., in 1984 and Mass Merchandisers of Harrison, Ark., last fall. The two firms service 36 states out of five distribution centers.

"Service merchandising is a high-growth distribution business, driven by the consumer trend toward one-stop shopping," said Thomas W. Field Jr., McKesson president and ceo.

Millbrook, which generates annual sales of $95 million, adds 300,000 sq. ft. of distribution center space to the McKesson stable.

FINANCIAL

Revco profits dip, but scripts remain strong

TWINSBURG, Ohio — Revco D.S. explained that a 31.2% net earnings drop in the first quarter ended Aug. 23 was caused primarily by a softening in nonpharmacy sales, higher interest costs and smaller contributions from nonretail operations.

Earnings fell to $6.4 million, down from $9.3 million in the same quarter a year ago. This occurred despite a 7% rise in sales to $627.9 million, up from $585.5 million a year earlier.

The overall drug store sales gain was also 7%. However, same-store sales increased just 3%, Revco reported. Prescription sales volume was strong, up 15.3% overall and 12.5% on a same-store basis. The number of prescriptions filled rose 6.4% overall and 3.6% on a like-drug store basis.

Strategies to raise margin rate

The chain managed to raise its overall gross margin rate by discontinuing a regional price reduction program and by starting to price more selectively on a store-by-store basis.

Expense controls also seemed to be effective. SG&A expenses were "below budget" for the quarter, Revco announced. Efforts to control inventory kept the level of merchandise on hand to just 1.5% higher than the quarter a year ago.

Revco reported further that it had no short-term debt at the end of the quarter and had a cash position of $39 million, up from $11 million a year earlier.

Meantime, Revco raised its store count by 18 to 2,049 by opening 34 stores and closing 18 "underperforming" units, the company said.

New DC for 400 stores

The chain also began to use its new 500,000-sq.-ft. distribution center, which has capacity to service 400 stores.

Revco's Odd Lot Trading division, which wholesales and retails closeout goods, operated at a loss in the quarter. The division narrowed its losses by 25%, however, the company said.

In addition, Revco stated that the $38.50 cash per share offer from Anac Holding, an investor group led by some company executives, remains subject to financing and other conditions, including approval by a majority of common shareholders. Revco said it will submit the proposal to stockholders later this year.

Arbor closes year with robust results

TROY, Mich. — Arbor Drugs reported strong sales and earnings gains in the fourth quarter and fiscal year ended July 31. The increases reflect improved operations and new store expansion, the company said.

Full year sales rose 25.7% to $151.5 million, up from $120.5 million in the prior fiscal year.

Pro forma net income for these same periods rose 45.9% to $5.3 million, up from $3.6 million in fiscal 1985.

Results include nine additional stores. Arbor operated 52 at the end of the fiscal year, up from 43 a year before.

Same store sales gains drove much of the chainwide increase, said Eugene Applebaum, chairman, president and ceo. Same store sales jumped 11.1%, and average sales per square foot rose to $339 from $323. Prescription sales accounted for 27.6% of volume, up from 25.2% in the prior year.

Fourth quarter gains were on a similar track. Sales rose 22.3% to $40.5 million, up from $33.1 million. Pro forma net income for the quarter was up 49.1% to $1.6 million from $1.1 million.

During the year, Arbor used $17.6 million in proceeds from its public stock offering of one million shares toward the purchase of 19-store Sentry Drug Stores, based in Detroit. Arbor has since closed two of the former Sentry stores to avoid sales cannibalization.

Bergen '86 earnings off

ORANGE, Calif. — Bergen Brunswig, the nation's second largest wholesaler, reported a drop in net earnings, as revenues rose in the fourth quarter and full fiscal year ended Aug. 31.

Despite the fall in earnings, chairman and ceo Emil P. Martini Jr. predicted a profitable first quarter. He added that fiscal 1987 would show "further earnings improvement" as Bergen consolidates operations from expansion and acquisitions and reduces costs and expenses.

Fourth-quarter earnings fell to $5.77 million, compared to $5.94 million in the comparable year-ago period. Meantime, revenue rose in the quarter to $794.4 million, up from $680.3 million in the year-earlier quarter.

For the full year, net earnings dropped to $20.66 million from $23.27 million in the prior fiscal year.

Earnings from continuing operations fell even more than net figures indicate. The full year results include an after-tax gain of $9.4 million from the initial public offering last July by Commtron Corp.

Earnings jump at Albertson's

BOISE, Idaho — "The very best defense against a hostile takeover," Warren McCain told Albertson's employees, "is to continue to run the most successful food and drug company in the business."

The remarks by Albertson's chairman and ceo came after Albertson's second-quarter results had been announced. It also followed the industry's largest takeover ever, of Safeway, by Kohlberg Kravis and Roberts, after a hostile run at the company by Dart Group.

"The outstanding earnings reported in the first six months of the year provided a good foundation for another record year," he said.

Albertson's six-month sales were $2.6 billion, an increase of 6% over the same period last year, and net earnings were $48 million, up 25%. Also, net earnings as a per cent of sales were 1.83%, compared with 1.55% last year.

In his references to Safeway, McCain said, "There has been a great amount of concern by many of our Albertson's people over the turmoil at one of our major competitors' organizations as a result of a takeover attempt." Regardless of the outcome, McCain said that "decades of growth and prosperity will go by the wayside."

Name	Symbol	STOCK PRICE From 09/26/86 - 10/08/86 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	58.00	54.63	57.13	2.25	4.10	71.25	52.00	4.11	-1.65 s	-29.2	14.3	.84	1.5
Arbor Drugs	ARBR	17.00	16.25	17.00	.00	.00	24.25	15.25	.72	.93 n	NC	18.3	.00	.0
Begley Co	BGLY	21.75	21.00	21.75	.75	3.57	23.50	16.00	1.27	-.27 q	-20.5	20.7	.72	3.3
Big B	BIGB	15.38	15.13	15.25	-.13	-.81	18.75	12.63	.61	-.03 s	-4.2	22.4	.00	.0
Drug Sys	DRGS	6.00	5.75	5.88	-.13	-2.08	8.25	3.75	-.36	-.78 q	-100.0	NE	.45	7.7
Fay's Drug	FAY	9.38	9.00	9.13	-.25	-2.67	11.75	8.00	.20	-.32 s	-72.7	76.0	.20	2.2
Genovese Drug	GDX	13.63	12.63	12.75	-1.13	-8.11	16.63	10.00	.73	-.66 s	-60.0	29.0	.20	1.6
Longs Drg Strs	LDG	33.63	32.25	32.75	-.88	-2.60	38.75	25.63	1.74	-.20 s	-10.4	18.9	.76	2.3
Medicare Glaser	MGCO	4.75	4.25	4.25	-.50	-10.53	5.00	3.50	-.20	-.11 q	NE	NE	.00	.0
Medicine Shoppe	MSII	29.25	28.75	28.88	-.63	-2.12	32.00	21.75	.84	.15 n	18.8	30.4	.00	.0
Perry Drug	PDS	14.38	13.13	13.88	.75	5.71	20.88	12.88	.98	-.10 n	-11.0	17.1	.22	1.6
Revco Drug	RDS	37.25	36.38	37.13	.75	2.06	39.88	24.75	1.72	.74 q	81.3	22.5	.80	2.2
Rite Aid Corp	RAD	29.13	26.75	27.50	-1.75	-5.98	35.50	21.63	1.52	.09 q	5.6	16.3	.58	2.1
Walgreen Co	WAG	31.75	30.25	30.88	.25	.82	39.50	23.25	1.53	.14 n	9.2	18.5	.50	1.6
Wholesaler's transactions														
Alco Hlth	AAHS	19.13	17.88	17.88	-1.38	-7.14	25.38	12.75	1.10	.19 n	18.3	14.5	.00	.0
Bergen Bruns	BBCA	19.25	16.88	17.75	.63	3.65	37.25	16.88	1.82	-.26 n	-14.4	11.5	.32	1.8
Bindley Wstn	BIND	11.00	10.63	10.63	-.13	-1.16	12.50	7.75	.79	.09 s	11.5	12.2	.00	.0
Cardinal Distrb	CDIC	18.50	17.75	17.75	-1.25	-6.58	25.25	14.78	1.36	.40 q	40.8	12.9	.08	.5
Durr Fillauer	DUFM	12.25	11.75	12.25	.63	5.38	16.75	9.25	.78	-.02 s	-2.5	15.5	.16	1.3
Ketchum	KCH	25.00	23.88	24.25	-.25	-1.02	25.50	15.63	.17	-.82 q	-100.0	NE	.00	.0
McKesson Cp	MCK	31.00	29.00	30.13	-.88	-2.82	33.50	23.19	1.98	.18 q	9.8	14.9	1.28	4.2
Moore Med	MMD	24.63	23.13	23.88	.13	.53	27.25	17.88	1.45	.23 s	18.3	16.0	.00	.0
Owens & Minor	OBOD	13.88	13.50	13.75	-.25	-1.79	20.25	13.38	1.14	-.03 s	-2.8	13.1	.30	2.2
Manufacturer's transactions														
Abbott Labs	ABT	45.38	41.13	44.50	2.25	5.33	55.00	27.69	1.94	.32 s	17.8	21.0	.84	1.9
Am Home Prod	AHP	76.00	71.75	76.00	2.13	2.88	94.88	54.75	4.70	.40 s	8.8	15.4	3.10	4.1
Baxter Travenol	BAX	16.75	15.50	16.00	.50	3.23	21.25	12.50	.85	.43 s	238.9	26.2	.40	2.5
Block Drugs Co	BLOCA	27.00	25.00	25.75	-.25	-.96	27.50	18.94	1.84	.15 q	8.6	13.6	.50	1.9
Bolar Pharm	BLR	23.25	21.50	21.63	-.13	-.57	32.88	13.00	.71	.13 s	18.6	26.1	.05	.2
Bristol-Myers	BMY	74.88	67.25	74.88	3.00	4.17	88.50	55.50	3.86	.24 s	6.6	19.2	2.20	2.9
Carter-Wallace	CAR	73.00	66.00	72.50	6.25	9.43	86.13	36.50	3.63	1.03 q	35.9	18.6	.80	1.1
Forest Labs	FRX	19.25	17.38	19.13	1.00	5.52	22.00	11.81	.49	.15 q	37.5	34.8	.00	.0
ICN Pharm	ICN	22.00	17.00	18.00	-.88	-4.64	34.00	9.88	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	70.38	64.63	70.00	3.63	5.46	83.50	44.13	3.69	.39 s	11.1	17.9	1.80	2.6
Lee Pharm	LPH	27.13	25.38	25.88	-1.13	-4.17	38.63	6.50	.40	1.62 n	450.0	13.1	.00	.0
Leiner P Nutri	PLIN	17.00	16.00	16.00	-1.00	-5.88	21.00	9.00	.81	.26 q	40.6	17.8	.00	.0
Marion Labs	MKC	38.25	33.50	36.75	.25	.68	50.00	17.38	.70	.23 f	48.9	52.5	.20	.5
Merck & Co	MRK	103.00	97.75	102.25	2.88	2.89	116.75	54.38	3.79	.76 s	21.7	24.0	2.20	2.2
Morton Thiokol	MTI	34.75	32.25	33.88	.75	2.26	40.50	30.00	2.80	.30 f	12.0	12.1	.70	2.1
Mylan Labs	MYL	13.25	11.13	13.00	1.50	13.04	18.09	9.09	.57	.24 q	63.2	21.0	.07	.5
Newport Pharm	NWPH	5.63	5.00	5.38	-.75	-12.24	14.50	4.88	-.10	-.03 q	NE	NE	.80	14.9
Par Pharm	PARP	15.00	13.25	15.00	1.00	7.14	20.25	13.25	.47	.13 n	27.7	25.0	.00	.0
Pfizer Inc	PFE	59.50	56.25	57.50	-.75	-1.29	72.88	43.75	3.44	.39 s	11.9	15.7	1.64	2.9
Robins, AH	QRAH	10.25	7.88	8.38	-1.63	-16.25	15.63	7.88	2.53	20.85 s	NE	3.1	.00	.0
Rorer Group	ROR	47.00	43.00	47.00	3.25	7.43	47.50	32.50	1.72	5.00 s	240.4	6.6	1.12	2.4
Scherer RP Co	SCHC	17.75	16.50	16.50	-.63	-3.65	20.25	11.50	-1.23	-.66 q	NE	NE	.32	1.9
Scher Plough	SGP	75.50	70.00	75.38	2.50	3.43	88.00	48.25	3.77	.44 s	12.3	18.8	1.80	2.4
Squibb Corp	SQB	103.63	96.50	96.75	-5.50	-5.38	124.13	68.25	4.20	.86 s	22.3	20.5	2.00	2.1
Sterling Drug	STY	45.00	41.50	44.63	1.63	3.78	52.00	33.75	1.83	-.48 s	-19.6	22.7	1.32	3.0
Syntex Corp	SYN	57.25	52.00	54.63	-3.25	-5.62	74.75	32.81	3.07	-1.58 f	-34.0	17.8	1.60	2.9
Thompson Med	TM	13.13	12.00	12.00	-1.00	-7.69	21.00	11.75	1.18	-.44 s	-29.1	11.2	.40	3.3
Upjohn Co	UPJ	91.00	84.50	90.50	4.88	5.69	103.75	56.75	3.29	.93 s	34.4	24.9	1.52	1.7
Warner-Lambrt	WLA	55.38	52.63	55.00	.75	1.38	63.13	34.50	-4.05	-6.15 s	-100.0	NE	1.56	2.8
Zenith Labs	ZEN	9.38	8.63	8.63	-.50	-5.48	18.31	8.00	.73	.42 s	135.5	11.8	.05	.6

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Nail care category has that Midas touch

Colored, clear press-ons flourish

For two years now, nail care has been the fastest growing area in the cosmetics category, with last year's growth about 25%, according to market researchers and manufacturers.

The most dramatic recent growth appears to be coming from nail extenders, particularly the fairly new clear and colored press-ons or stick-on artificial nails. Nail treatments are also growing fast, up about 25% in 1985 over 1984.

Sales of artificial nails or nail extenders were up about 40% to $100 million in 1985, according to manufacturer rough estimates. Now, because of the new press-on products introduced last year and still rolling out in 1986, some manufacturers in this segment are reporting growth rates in excess of 200% so far this year. Several manufacturers estimated that given such explosive growth, the total artificial nail segment could at least double in sales by year end.

Buyers and manufacturers say they don't expect the nail extender segment to peak or stabilize "at least for another year and a half." Most say that the press-ons and stick-ons have created a whole new category of extended nail users: the convenience-minded woman who has found an easy way to give herself elegant nails.

Others point out that nail extenders are making it as easy for women to change the look and color of their nails as to change lipsticks or wardrobes.

Nail extenders, however, are not the only growing category in nail care, just the most dramatic one. Everything in nail care (with the exception of the polishing pens in some regions) is hot this year, say buyers.

Growing steadily: treatments, enamels

Somewhat overshadowed by the spectacular growth of nail extenders are nail enamels, which are picking up dramatically in sales, and nail treatments, particularly strengtheners, conditioners, hardeners and lengtheners. These seem to be the category's second hottest growth area and definitely a strong positive trend for late 1986 and 1987.

According to the most conservative industry estimates, nail treatments (which include nail polish removers, nail conditioners and hardeners, among others) were up 25% to $150 million in 1985. Enamels were up 10% to $221 million. Implements, the remaining major subcategory in nail

Continued on page 12

Teenagers using nail polish

% of girls ages 12-19 using polish	Using daily	Using twice a week	Using once a week
91.1%	9.3%	34.6%	34.6%

Source: Manufacturers' estimates

Retailers creating space for high-turning nail segments

NEW YORK — With nail care the fastest growing segment of the color cosmetics category, retailers are scrambling to find more space to accommodate all the potentially high-turning sku's that manufacturers are developing.

Many chains are creating a whole new section in their cosmetics planograms just for expanding subcategories within nails, such as treatments and nail extenders. In some cases, retailers are looking at permanent endcaps with wire strips to feature nails as compactly as possible.

Retailers say that just about everything in this category is selling "very well." Best sellers are treatments and fake press-on or stick-on nails. Nail enamel sales are also growing, and implements are holding to a steady 8% rate of growth.

Harco Drug

At Harco Drug in Alabama, cosmetic buyer Penny Wade said colored press-on nail kits are doing especially well and that Harco is now planograming a special nail section into its pegged wall.

The Salle line from New Jersey has just been added to the planogram, the Sally Hansen section has been expanded to 2 ft. on the pegged wall, and Cutex has been given 4 ft.

Max Factor and Revlon nails, however, will be merchandised in the fixtures provided by the manufacturer so Harco can maintain "a family presentation" of the two brands.

Wet 'n' Wild's nails will go into their family fixture, which Harco is putting on an endcap. "For our size stores, we felt using the fixture on an endcap rather than on the wall was the best way to maximize space and impulse sales," Wade explained.

Depending on price points, Wade said her best sellers in nail are the Harco private label, Cutex and L'Oreal. Sally Hansen on a recent promotion also did "extremely well," Wade said.

The Salle 10 line, just coming in, will give Harco its first chance to feature a "whole regimen of nail care products. We don't have a complete treatment line right now," said Wade, "and Salle 10 spells out the steps to follow very nicely, so we think it will do well."

Harco, like most drug chains, is also doing more

Continued on page 16

Enamels: Growth of mass market retail sales

Type of retail outlet	1985 dollar sales (in millions)	% change vs. previous year
All drug stores	$153	17%
Chain drug stores	125	18
Independents	28	16
Mass merchandisers	32	18
Food stores	36	8
Total for mass market outlets	221	10

Source: Manufacturer estimates based on IMS and Nielsen year-end estimates. Estimates for mass merchandise and food stores may be conservative.

MERCHANDISING TRENDS

Vendors play variations on fake nail theme

Continued from page 11

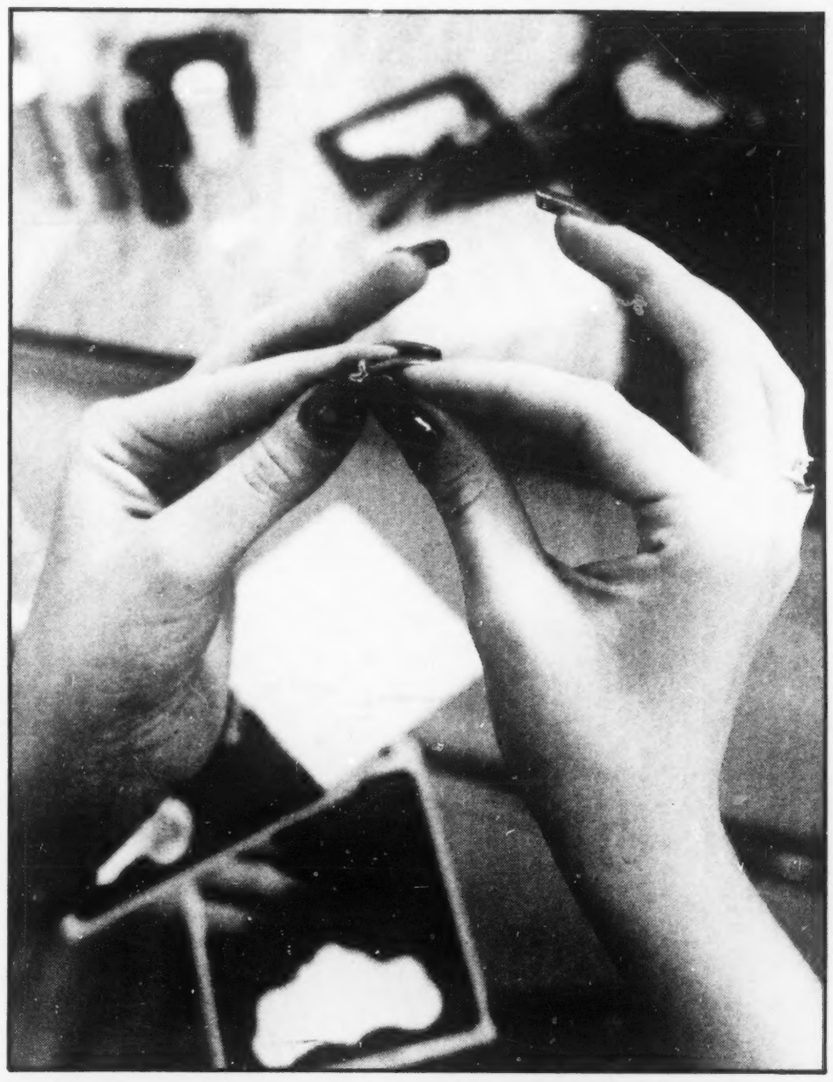
care, were up about 8% to $91 million.

Based on what retailers and manufacturers say is currently happening in these categories, 1986 growth rates will probably be even stronger and more dramatic than 1985's. Sales increases in treatments could reach or top 30% this year, and dollar sales of enamels might grow as much as 25%. Implements will probably continue at an 8%, possibly 10%, rate of growth in 1986-87.

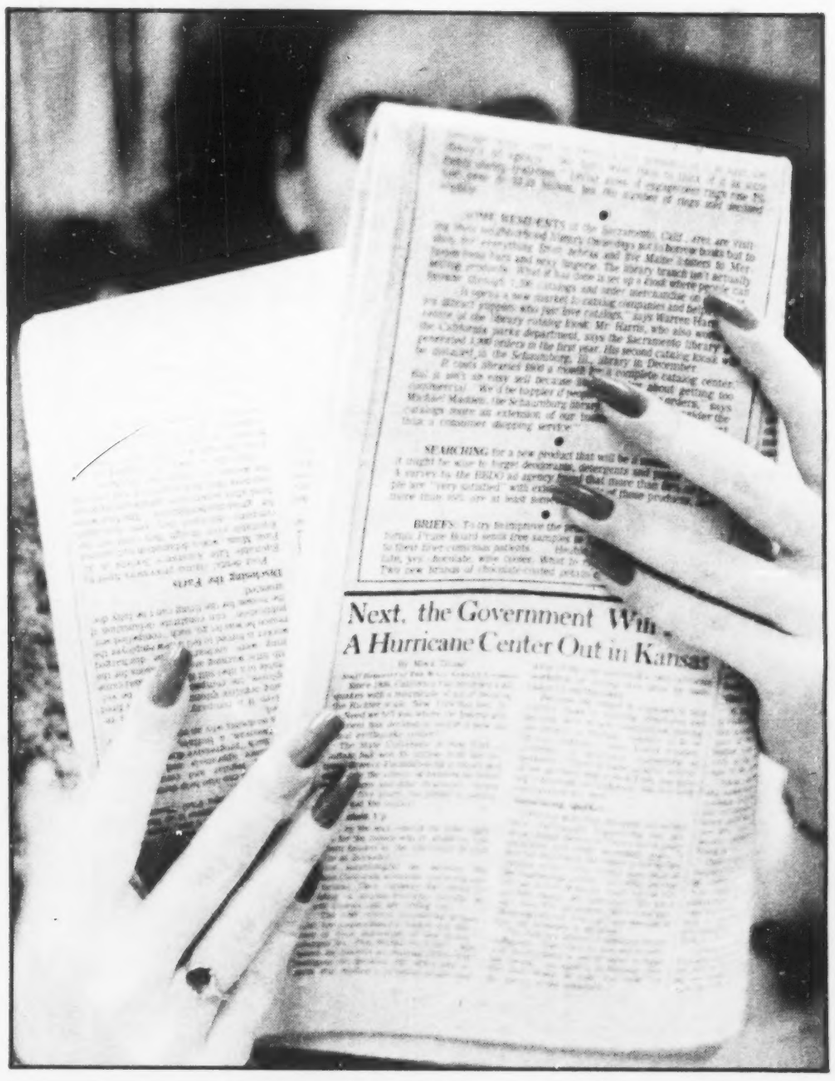
Who uses nail care products

	% of the 4.5 million women in U.S. using
Top coats	60%
Base coats	50
Hardeners/strengtheners	45

Source: Almay Cosmetics



Nail art, one of the innovations in nail glamour, generates impulse sales with women 24 and younger.



Convenience and ease of application make nail extenders popular with today's working women.

Just about all the major manufacturers are bringing out new treatment sku's in 1986 and 1987. The trend is to take the best selling type of salon items such as silk wraps or conditioners, which have to be applied according to a strict regimen, and develop them for a mass market retail shopper. Price points are significantly lower than they are in salons, and manufacturers say they have developed ways to make items such as silk wraps easy and convenient to use at home.

Colored press-ons hot

There is definitely a surge in the introduction of press-ons, but particularly in the lines of colored press-ons and shorter-length press-ons.

Since Lee Pharmaceuticals, based in South El Monte, Calif., first entered this category in the spring of last year, dozens of new players have come into the market and more plan to enter later this year and in 1987.

Retailers also say that since April, when Lee introduced the industry's first line of colored press-ons, this segment has been growing faster than the clear press-ons. As more new shades come into this segment, sales should "go through the roof," in the words of many buyers.

According to manufacturers, the growth is strong because the new press-ons are reaching a whole new market for nail extenders: the 93% of American women who have never before used artificial nails, plus the millions of American women who like the versatility of coloring press-ons in a variety of shades and then switching nail colors at will.

Yet most retailers and manufacturers say the sale of the colored press-ons are not hurting color enamel sales, but are actually helping them.

Women are buying convenience, said a cosmetician for Begley Drug. "You see a lot of women buy the clear press-ons and then buy nail enamels to color them with. It will be years, if ever, before the people who make the colored press-ons ever have as many shades or as many nice shades as the people who make the traditional nail enamels. So women buy the clear press-ons, they buy the enamels and they mix and match the looks they want."

In late 1986, manufacturers like Lee, Pico Rivera, California-based Jonee, Chicago-based Jonel, Detroit-based Pretty Nails (owned by Scherer-Thompson) and New York-based Kristy Wells are trying to appeal to an even wider section of that virgin market by introducing shorter nails for "more active women" or by rolling out sheerer, more natural nails that come closer to duplicating the natural look and flexibility of a real nail.

Lee was reporting that sales of the shorter press-ons in their first 30 days on the market were higher than their combined sales of the clear glamour and natural lengths during the first 90 days of their spectacular rollout last year.

Budget brands

With the success of the Lee press-ons in the $5-$6 price range, both retailers and manufacturers are starting to see a niche for low-priced budget nail extenders.

Many new brands are coming into the market now, most imported from Hong Kong, and retailers are advertising and merchandising them as low-priced alternatives to the more expensive press-ons.

Nail treatments

Retailers and manufacturers report that nail treatment sales have been growing dramatically since 1985. L'Oreal, Almay, Del Labs (Sally Hansen), Scherer-Thompson (Pretty Nails), Salle 10, Cutex and other manufacturers with new products in this market say their sales are "phenomenal."

Buyers say the category is being fueled by women who want long and natural nails that are easy to maintain.

Consequently, most of the new growth is focused on products that will stimulate the living nail and make it grow while hardening and stregthening the tip as it develops.

Nail colors/enamels

Currently, there are also major surges in the sales of enamels, thanks in part to new formulations and heavy advertising from companies like L'Oreal, Max Factor, Cover Girl (Noxell), Cutex, Revlon, Almay and Sally Hansen.

Continued on page 16

Nail color promotions

Company	Promotional period	Promotional theme	Comments
L'Oreal	*Fall '86*	*Win a Sun Dance*	Sweepstakes done in conjunction with Chrysler. Ten new Sun Dance cars will be given away to consumers who have the keys that will unlock them. Winning keys will be shrink wrapped to the best selling shades of Color Riche nail enamel and lipstick.
	Winter/Spring '86-'87	*Come-On Color*	For Valentine's day, shoppers who buy L'Oreal's new "graduating" shades of Color Riche nail enamel will get a free heart-shaped nail filing implement.
	Spring '87	*Annual Nail Event*	Prepacks of L'Oreal's five best selling nail care products, all will be available for 75¢ off retail.
Andrea Mod	*Winter/Spring '86-'87*	*Oh Tango Mio*	Seven new shades for nail and lip designed to help duplicate the "playful, glamorous look" popularized by actress/singer, Madonna.
	Christmas '86	*Christmas fashion*	Press-ons featuring designs of penguins skating or designs of Christmas trees.
Scherer-Thompson	*Winter/Spring '86-'87*	*Pretty Nails value pack*	Pretty Nails nail strengthener will be shrink-wrapped to Pretty Nails enamel remover. Both a $6.50 value, will be available for $4. Similar promotion planned for later in '87 features the new Pretty Nail enamels shrink-wrapped to the popular enamel remover.
Aziza	*Christmas '86*	*One Coat Nail Color*	Six new fashion shades for the holiday season. In '87, Aziza will do several shade promotions featuring its polishing pen.
Max Factor	*Spring '87*	*Stage Whispers*	Fashion promotion featuring two permanent and two promotional nail enamels as well as four lipstick shades and four Satin Shadow blush shades. Ad support will include network TV and major print.
Maybelline	*Fall, Winter '86*	*Blooming Colors*	Launching 13 shades of Blooming Colors cream nail enamels and 11 shades of frost.
	Christmas '86	*Long Wearing Nail Enamels*	Promotional holiday collection of opalescent pearl shades for the Long Wearing nail line.

Source: *Drug Store News* survey.

MERCHANDISING TRENDS

Nail care launches

Company	Brand	Quarterly launch	Comments
Nail extenders			
Andrea Mod	Nail Fakery	4th '86	Colorful packaging featuring the same Mondrian designs used by Andrea's Fusion lipsticks.
Jonee	Jonee Long Nails 4: shaped for shorter nails	1st '86	The first short-length press-on to hit the market. Retailers say sell-throughs are strong.
Jonel	Jonel Full Nails	3rd '86	Consumers can choose between the press-ons that can be worn up to three days and the three-quarter length tip that can stay on up to six weeks.
Kristy Wells	Kristy Wells Short Length press-ons	4th '86	Kristy Wells has created a $3 billion "opportunistic buy" budget to support its press-ons.
Lee Pharmaceuticals	Lee Press-ons Active Length	3rd '86	Lee's first press-ons in short length for active women. Backed by a $5 million "opportunistic buying" ad program.
Scherer-Thompson	Pretty Nails press-ons	1st '87	Clear only. Ad support will include a print campaign.
Colored nail extenders			
Jonee	Jonee precolored press-ons	4th '86	Jonee's first line of colored press-on nails—18 shades including clear. Backed with Jonee's money-back guarantee.
Lee Pharmaceuticals	Lee Fashion Colored press-ons	3rd '86	Expanding colors for natural size press-ons to nine more shades.
		1st '87	Rolling out nine colors for the Lee Press-on active length nail.
Nelson Int.	Lendine Colored press-ons and Nu-Nails colored press-ons	4th '86	Introducing 26 shades plus clear in short, middle and glamour lengths. Also introducing 12 shades to the Lendine and Nu-Nails Extra Long Sensuous Full permanent nail tips. Full Nails can be worn two weeks or more. Lendine will have about a $6.95 srp while Nu-Nails will have a $5.40 srp.
Budget press-ons			
Lee Pharmaceuticals	Penny Pinchers	3rd '86	Retails for the Penny Pinchers press-ons will be about $2 compared with about $5 for the Lee brand press-ons.
Pavion	Wet 'n' Wild	2nd '86	SRP is 99¢. Colored press-ons began shipping in August at a $1.49 srp.
Salle Beauty Labs	Emerge	3rd '86	Price points for the Emerge brand will be about 99¢.
Nail treatment			
Almay	Almay (Product names not available at presstime)	1st '87	A nail conditioner to stimulate growth in the matrix, plus a one-step fiber base coat.
Andrea Mod	Andrea Pro Strength 10	1st '86	New nail strengthener
	Andrea Professional Cuticle Treatment	1st '86	Promoting with a blister pack for both items, with a free nail brush.
	Andrea Nail Treatment line	1st '87	Repackaging whole line in packages featuring Color Fusion's Mondrian design elements
Beecham	Jovan Nail Essentials	4th '86	A limited edition holiday giftset for Christmas
Bonne Bell	Bonne Bell Diamond Formula Nail Hardener	3rd '87	Diamond dust in formula adds a protective layer to nail. Introductory quarter-ounce. sku will sell for $3.95.
Del Labs	Sally Hansen Maximum Growth	1st '86	A salon style product that must be used over a 10-day period for best results.
L'Oreal	Grow Strong	2nd '85	Two-for-one promotion breaking this quarter. Shrink wraps of Grow Strong with a Color Rich nail enamel, both for $4.25, a $2 saving.
Max Factor	Max Factor (Product name not available at presstime)	1st '87	Seven new treatment sku's made with Factor's exclusive "Silacryl" formula. Srp's will be between $2.50 and $2.75.
Maybelline	Performance Ten Beautiful Nail System with Glyoxal	4th '86	A single product with three applications: to nourish weak nails, lengthen short nails, maintain healthy nails.
Orly International	Orly Professional Nail Care	3rd '86	Launching 1st line of nail care products for retail market. The 42-sku line includes treatment and fashion enamels plus the first French Manicure kit to make transition from salon to retail.
Revlon	Natural Wonder Three Way Nail Hardener Natural Wonder Super Nails Fiber Fortifier	2nd '86	Part of new Natural Wonder repackaging and launch. Retail reaction positive.
Salle Beauty Labs	Salle 10 Nail Strengthener Salle 10 No Chip	1st '86	Salle is now shipping prepacks of new trial sizes for its strengthener and No Chip plus issuing 50¢ refund coupons for both items.
	Salle 10 Wrap-It	1st '87	A silk wrap kit that will sell for about $5. One of the first such kits made available to the retail market.
Nail colors			
Almay	Almay Nail Enamels	1st '86	New formulation for long-lasting, chip-resistant performance. Twenty-four shades on market now.
Aziza (Chesebrough-Pond's)	Aziza One Coat	1st '86	New line stressing ease of one-coat application. Twenty-four shades available now. Will launch six more promotional shades for Christmas.
Cutex Chesebrough-Pond's	Cutex Nail Enamels	1st '87	Additional formula improvements in works for this 42-sku line.
Jonee	Jonee high gloss nail lacquers	2nd '85	Ads stress that lacquer strengthens nails while glamourizing them.
L'Oreal	Color Riche	2nd '86	Extensive ad campaign stressing 10-day wear. Won't "chip off' the nail. Actress/Model Andie McDowell,"St. Elmo's Fire," is spokeswoman.
Max Factor	Max Factor Nail Enamels	2nd '86	New formulations. Good consumer response.
Revlon	Revlon Nail Enamels Natural Wonder Nail Enamels	2nd '86	Repackaged and relaunched. Good feedback for both.
Sally Hansen	Sally Hansen	4th '86	Seasonal color promos. May do a sweepstakes in early 1987.
Nail art			
Sashiba	Sashiba Twin Stripes	3rd '86	Nail decoration stripes packaged on a sheet for easy application. Twelve metallic shades in initial launch plus 12 matching designer nail jewelry to pair with the stripes.

MERCHANDISING TRENDS

Nail care sales boom has retailers hopping

Continued from page 11

advertising on the category because nails are so hot, but Wade is particularly enthusiastic about a new ad that will test Wet 'n' Wild's new 99¢ press-on nails.

Wade also said the retail price is just right for Harco's upcoming penny sale. "We'll feature the Wet 'n' Wild item at $1," she said. "It'll be buy one for 99¢ and get the other for a penny."

Wade isn't sure whether the regular Lee customers will trade down for the Wet 'n' Wild brand. She said Harco will test the line and try to determine "how much more we'll have to sell to make up for what we lose if they do trade down. The other option is we may get a whole new customer—the teenagers without a lot of bucks to spend."

SupeRx

At SupeRx, Dave Wesloh, merchandise manager, said the chain has begun using a wire wing on endcaps to highlight nails. "It allows more space for the display," said Wesloh, "and it helps solve the problem of not having enough room for nails in the basic department."

Wesloh said the fixture also lets him add about 40 more sku's of the colored press-on nails. Although some of these items are just hitting the stores, Wesloh calls this segment "hot," especially the Lee and Krazy Nails brands.

He said that although SupeRx hasn't advertised them yet, just displayed them, they are selling "beautifully. The vast majority of sales are impulse, with women buying more than one kit."

Eckerd

At Clearwater-based Eckerd in Florida, Linda Angelacci, senior cosmetic/color treatment buyer, said the category has been doing extremely well. Eckerd recently expanded space allocations for nail care, and the chain is also merchandising nail care items on wire racks on the sides of endcaps.

"The racks make it possible for us to have multiple locations for nail care displays," said Angelacci. "Plus they have the advantage of letting us carry substantially more inventory in the stores."

Angelacci said nail care sales are being fueled by such factors as "better quality in the products now on the market; more aggressive advertising from the manufacturers, particularly Lee for their press-on colored nails; and the needs of today's working women."

Peoples

At Peoples Drug, cosmetic buyer Judy Wincze said all the new items in nail care, including the colored press-ons, appear to be creating add-on sales.

"Our sales haven't dropped off in anything," she said. "It doesn't even seem to matter whose nails we're featuring. People are buying everything, and I think that may be because in many cases, they couldn't find these types of nail products in retail stores before. They could just get the treatments in beauty salons. Now, because the cost is so reasonable, everybody is starting to take better care of their nails at home."

Judy said that fake nails or nail extenders are really selling well. Peoples has created a 30-in. section on its pegged wall for fake nails. "We're selling about 40 dozen pieces a week at $6.95 with a 50% gm," Wincze said.

Perry Drug

At Perry Drug, Steve Lund, assistant vp merchandising, said nail color lines especially have been growing dramatically in the past few years. "Color now is as important as the style of fashion," he said. "We're looking at giving all our nail care lines more space."

"We're always running out of stock in that section, though," Lund said, "so we really need more space. We know we're going to be doing more in-and-out promotions with nail, and we'll be using more counter displays, more floor displays. Plus we'll be using more ends for nails and in some cases putting them out on our promotional tables."

Duane Reade

In New York City, Eli Cohen, president of Duane Reade, whose drug stores average about 4,000 sq. ft., agreed that it is "tough to find adequate display space for nails." In terms of category growth, he said, "I've never seen anything like it in my life."

Cohen worried that price points would come down too far on nail extenders. "If a drug store retailer is smart," he said, "he'll leave the low end items selling for $1.29, $1.39 and so on to the variety stores.

"In New York, Woolworth, especially, is doing a heck of a job with this segment. Their net cost for some press-on's is 70¢ and 80¢ and they're selling them for $1.99 and making a lot of money. But I'd like to stay with the better prices and leave that end of the business to the variety stores."

Nail care retail sales by category

Category	1985 sales (in millions)	% change	Share of total category sales
Nail enamels	$221	10%	39%
Nail extenders*	100	40	18
Nail treatments**	150	25	27
Nail implements***	91	8	16
Total nail care	562	25	100

*Includes traditional nail tips and semipermanent tips plus new press-ons and stick-ons. Sales volume based entirely on manufacturer estimates only.
**Includes manicure aids, nail preps, strengtheners, etc.
***Includes tweezers, filers, emory boards, etc.
Source: *Manufacturer estimates based on own research. All else: Manufacturer estimates supplemented with Nielsen and IMS year-end reports.

A Drug Emporium in Tustin, Calif., uses one of Jonee's Nail Salon Centers to create a family presentation for the 125 Jonee sku's it carries.

Vendors cater to busy woman

Continued from page 12

Nail enamels today are being marketed as products that can do more than add a pretty shade. Manufacturers are persuading consumers that the right nail enamels can protect the nails and help them grow while providing a long-wearing color and shine.

Nail polishing enamels are still the biggest category in nail care. According to some sources, nail enamels account for between 45% and 50% of total category dollar sales, but other sources say the growth in nail extender sales has expanded so fast that nail enamel's share is now closer to 39% or 40%.

Extenders, the latest estimates indicate, have about an 18% share and are growing fast, while treatments have about a 27% share, and implements, 16%.

Nail decorations

In the last two years, a new category emerged in the nail care department: nail decorations, or "nail art" as it is sometimes called. Some of the manufacturers in this segment, like Bryan Zand, the president of Miami-based Nail Art, have proven skillful in garnering press coverage in magazines like *People* and television shows like "PM Magazine."

Sashiba, of Santa Ana, Calif., which makes Stick-On Nail Jewelry and Stick-On Ear Jewelry, is also doing well in the publicity department. Sashiba's products have been featured as prizes in the CBS game show "The Price Is Right," and *Cosmopolitan* has featured their brands in some of its stories on fashion trends.

Advertising

Now that manufacturers are tracking so much growth in nail care and the new convenience products are opening up such a large new market, every major manufacturer in this category is trying to build share and sales through creative consumer ad campaigns and promotions.

Salle 10, New Jersey, which earlier this year introduced its Salle 10 nail strengthening system as well as its Salle 10 No Chip nail enamel protector, is starting to promote its line on television and in national ads. Diahann Carroll has been signed to be the spokeswoman for Salle 10.

Ted Detthoff says that Lee is currently spending $5 million a year, or about 25% of its total factory sales, on "actual dollar" advertising to promote consumer demand for all Lee's extender products. But because Lee also buys its ad time "opportunistically" or "at bargain rates whenever possible," the company will actually be generating about $40 million a year in measured media dollar spending, which is about 50% of Lee's projected 1986 sales.

Kristy Wells in New York will spend about $3 million in TV, radio and print advertising for nails in 1986 and will at least match that in 1987.

Cutex is advertising its nail care lines for the first time on television this year. Its first 26-week schedule began running last May.

Pavion is about to launch its first major print ad for Wet 'n' Wild.

This past spring, Almay relaunched its nail enamel line, and in 1987, the nail color lines will be featured in Almay's new generic television ads.

Jonee plans to continue its national network television advertising.

In Detroit, Scherer Thompson is putting Pretty Nails back on TV after some years of not doing so.

Drug chains eye fuller automation by '90

NEW YORK — Computers R Us may never be the motto of drug stores, at least in the foreseeable future.

But retail druggists are riding the coattails of supermarkets and other classes of trade whose automation efforts are regarded as about five years ahead of the retail drug industry.

By now, several dozen of the nation's leading drug chains have invested in pharmacy computer systems—as have many independents on their own and through their wholesalers.

However, such efforts aren't chainwide even among these retailers yet, and *Drug Store News* estimates that the percentage of chain drug stores equipped with pharmacy computers is still less than half.

Routine by 1990

On the bright side, many of the industry's key MIS executives predict that pharmacy computers will be routine by 1990.

Indeed, CVS, SupeRx, Harco, Rite Aid, Shoppers Drug Mart and Duane Reade are among the largest chains moving fast to equip pharmacies with data management abilities.

In the period from last April to next April, for instance, CVS will have escalated its use of pharmacy computers from 10% of its stores to 48%. SupeRx predicted it would equip 200 more of its stores by next spring to complete its chainwide rollout of pharmacy computers.

Harco said it would equip 78% of the chain with pharmacy computers within six months, up from a recent 52% level. Rite Aid expects to equip 800 stores, or an estimated 51% of the chain, with Rx computers by spring, up from a recent 35% level.

Indeed, Rite Aid is committed to having some type of automation in all stores within 18 months, vp-information services Joe Groelly told *Drug Store News*. He said it would take the form of either pharmacy computers only or pharmacy computers and scanning with communications to the headquarters computer.

Shoppers Drug Mart expects to have pharmacy computers in 49% of stores by early 1987, up from a recent level of 32%. And Duane Reade, an operator of high-volume stores in the New York downtown business center, will equip 20 of its 26 stores with pharmacy computers by spring, up from zero last spring.

Survey findings

These are some of the findings of the *Drug Store News* 1986 Computer Technology Survey, in which MIS executives and senior officials of many chains reported their technological efforts, feelings and prospects to this newspaper.

The dozens of drug retailers who responded to the survey generally reported a high correlation between what they expected pharmacy computers to do and their degree of satisfaction.

As examples, more than three-quarters of respondents ranked these pharmacy computer applications as "very important": price updates, filling in third-party forms and tracing third-party billings, keeping patient profiles and warning of possible drug interactions, side effects and adverse reactions.

These same sources said they were "extremely or very satisfied" from 53% to 90% of the time with the ability of their computer systems to fill these functions.

Chain officials felt a far lower degree of high satisfaction where other applications were concerned, however. Just 15% felt strongly that Rx computers helped to reduce shrinkage or track inventory against sales with the same effectiveness.

But these concerns were also less important to the retailers.

Marketing/advertising tool

More than two-thirds of chains who answered the survey said they were using pharmacy computers as a marketing/advertising tool. Eighty per cent of them advertised their Rx systems in newspapers and 60% on radio.

The most popular advertising themes used by more than half were: fast in-and-out service, efficient script processing, patient safety and security, ease of script renewal and superior service.

The industry has witnessed such efforts during the past year. (See *Drug Store News*, Jan. 6, 1986.) Fay's, Thrifty and Page have used humorous television commercials to de-emphasize item/price, while depicting how

Continued on page 42

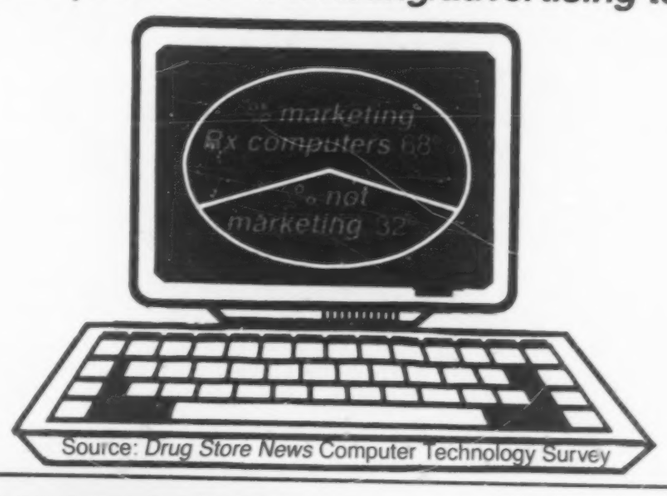
'86 Rx computers in chain drug stores

Company headquarters	Total Rx depts 4/86	Rx stores with pc's 4/86	% of total	Total est Rx depts 4/87	Est Rx stores with pc's 4/87	% of total
Walgreens, Deerfield, Ill.	1,216	1,216	100%	1,256	1,256	100%
Eckerd Clearwater, Fla.	1,593	1,025	64	na	na	na
Revco, Twinsburg, Ohio	na	na	na	na	na	na
Thrift, Pittsburgh	380	360	95	400	380	95
SupeRx, Cincinnati	547	360	66	560	560	100
Gray Drug Fair Cleveland	456	300	66	480	480	100
Fay's Liverpool, N.Y.	145	145	100	157	157	100
Shoppers Drug Mart Toronto	436	139	32	466	230	49
Big B Birmingham, Ala.	137	137	100	167	167	100
Peoples Alexandria, Va.	820	300	37	820	350	43
Rite Aid Shiremanstown, Pa.	1,460	510	35	1,560	800	51
Hook, Indianapolis	331	326	99	331	331	100
Pay Less NW Wilsonville, Ore.	188	188	100	196	196	100
Longs Walnut Creek, Calif.	215	211	98	221	219	99
Medicare-Glaser St. Louis	100	92	92	100	92	92
Genovese Melville, N.Y.	80	78	99	82	82	100
Jean Coutu Pharm Escomptes Longueuil, Quebec	90	89	99	109	109	100
Big "V" London, Ontario	81	57	70	88	75	85
K & B New Orleans, La.	143	60	42	147	103	70
Kerr Raleigh, N.C.	55	55	100	70	70	100
Boots Toronto	180	50	28	190	75	39
Standard Richmond, Va.	46	46	100	48	48	100
Taylor Louisville, Ky.	46	46	100	na	na	na
Carle, Rome, N.Y. Div. Revco	44	44	100	54	54	100
CVS Woonsocket, R.I.	400	40	10	440	210	48

Company headquarters	Total Rx depts 4/86	Rx stores with pc's 4/86	% of total	Total est Rx depts 4/87	Est Rx stores with pc's 4/87	% of total
Medi Save Baton Rouge, La.	158	40	25%	178	49	28%
Harco Northport, Ala.	58	30	52	64	50	78
Wellby Super Drug Portland, Me.	45	45	100	47	47	100
Kinney Gouveneur, N.Y.	28	28	100	29	29	100
Begley, Richmond, Ky.	40	26	65	43	43	100
Snyder Minnetonka, Minn.	54	25	46	56	56	100
Cumberland Montreal	27	24	89	35	32	91
Community Distributors Somerville, N.J.	22	21	96	24	23	96
Sentry Romulus, Mich. (div. of Arbor Drug)	19	19	100	na	na	na
Medic, Shreveport, La.	19	19	100	19	19	100
Crown Drugs Advance, N.C.	18	18	100	19	19	100
May's, Tulsa, Okla.	16	16	100	na	na	na
Bartell, Seattle, Wash.	27	15	56	29	19	66
Douglas North Providence, R.I.	11	11	100	12	12	100
Kent Mississauga, Ontario	69	10	14	70	20	29
Peterson Oakfield, N.Y.	18	8	44	18	12	67
Kopp Altoona, Pa.	7	7	100	7	7	100
Defender Tucson, Ariz.	6	6	100	7	7	100
Lewis Sioux Falls, S.D.	6	6	100	6	6	100
White St. Louis Park, Minn.	25	21	84	25	25	100
Arthur's Hartford, Conn.	8	3	38	8	4	50
Bill's Lafayette, Calif.	24	3	13	26	7	27
Duane Reade New York	26	0	0	26	20	77
Eart, Landover, Md.	76	0	0	83	3	4
Thrifty St. Louis Park, Minn.	24	12	50	24	18	75

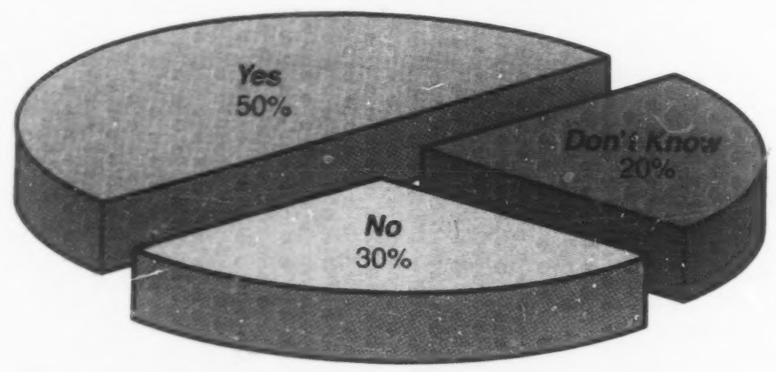
Source: *Drug Store News* 1986 Computer Technology Survey

Percent of chain drug companies using Rx computers as marketing/advertising tool



Source: *Drug Store News* Computer Technology Survey

Will the cost of scanning ever be justified?
(% of retailers opinion)



Source: *Drug Store News* Computer Technology Survey

Return

Continued from page 41

consumers relate to drug stores and the merchandise they buy there.

Fay's produced three 30-second spots about its Accu-Fay's pharmacy computer system. In one spot, a woman with noisy children approaches a pharmacist, describes a problem but doesn't recall which child had the problem before. The pharmacist punches up the patient profile,

Most frequently used media for Rx computer advertising
(Reflects % of respondents who advertise Rx computers)

Ad medium	% of respondents advertising Rx computers
Newspaper rop	80%
Radio	60
Direct mail	40
In-store signs, bag stuffers, brochures	36

Source: *Drug Store News* Computer Technology Survey

Most popular themes for Rx computer advertising

Theme	% of respondents who rate as "extremely important in their ads"
Fast in-and-out service	83%
Efficient processing of scripts	77
Patient safety and security	73
Ease of script renewal	57
Service superior to other pharmacies	50
Service unique to market	43
Cost savings for consumer	37
Ability for customers to have scripts filled in any store owned by the company	13

Source: *Drug Store News* Computer Technology Survey

Participate in the monthly **CE program.**
Contact: CE coordinator
Drug Store News
Suite 535
305 Madison Ave.
New York, N.Y.
10165-0079

The Counter

to core business spurs Rx computer rollout

saying "AccuFay's remembers everything."

Focusing on Rx systems

It's not surprising that drug chains are focusing most closely on pharmacy computer systems in their technological swing. The past year has seen many drug store operators revert to their core businesses of Rx, H&BA, OTC and cosmetics in order to compete against newer classes of retail competition such as deep discounters, warehouse clubs and increasingly aggressive Cub-like combos.

Electronic point-of-sale and scanning equipment haven't yet made nearly the inroads that pharmacy computers have made in drug stores. Industry sources said the reversion to core categories might be part of the reason.

"Chains react [to new competition] in different ways," said Chuck Sonnenberg, Peoples Drug senior vp-information systems. "Some will say to retrench, do what we know how to do best. Other managers will decide that's just the time to step on the accelerator pedal of technology. It's a reward vs. cost decision."

He said Peoples was "in the middle, cautiously optimistic." For its part, Peoples has pharmacy computers in 300 stores, or slightly more than a third of its total stores, and will equip 50 more by spring as it proceeds to rollout chainwide over the next few years.

It has electronic point-of-sale in one conventional Peoples store as part of a six-month test. Peoples would test in about 10 stores before deciding on a possible rollout. The chain also has POS in seven Bud's deep discount stores.

Edge over conventionals

Because deep discounter volume typically ranges from $3 million to $6 million and up to $10 million-$15 million annually in mature stores, operators can cost-justify the investment in front-end technology more easily than conventional stores.

All three of Woolworth's Rx Place stores have scanners. Perry has tested POS in its A. L. Price division this past year and will decide soon whether its benefits warrant rollout into conventional stores.

That's not to say conventional operators are light years behind. Walgreens, SupeRx and Rite Aid are among a handful of chains at the forefront of industry efforts to automate. In some instances, Rx computers are linked to a front-end data capture system (electronic point-of-sale or scanning) and in turn to a headquarters computer, to provide a total store management system.

Peoples' Sonnenberg predicted that "every store [in the retail drug trade] will have at least one computer in it and maybe two within five years. But there'll be significant percentages in three years."

Pharmacy and POS will be the first applications; then DSD (direct-store delivery), energy management and electronic mail will follow, he explained.

Survey findings indicated that 13.5% of chain drug store companies are linking POS registers to Rx xomputers and using the latter also to manage the front-end.

It indicated further that 40% of chain drug store retailers believe they must link in-store PC's to the POS system in order to maximize productivity benefits.

See scanning benefits

And although drug merchants haven't moved rapidly to scan in their stores, they are keenly aware of the benefits awaiting them. More than half polled, 55%, believe their stores must scan in order to attain maximum productivity benefits.

Just 23% of retailers surveyed said they are currently scanning in some stores.

Only half the retailers surveyed felt they could ever justify the cost of scanning; 30% said they couldn't ever, and 20% didn't know.

Cost factor fluid

That may change if pricing trends continue as in the past year, when microcomputer costs plummeted and their performance abilities soared. "POS devices and scanning are now very cost-beneficial," said Sonnenberg. "It's the same as word processing was five years ago. Now it's a common way of doing business."

The 100-store Medicare-Glaser chain has 92 pharmacy computers installed and two test stores with scanning, and is committed to equipping 25 stores with electronic POS, up from 15 currently, said Ray Bowman, vp-electronic data processing.

Continued on page 44

Revolution.

A new, flexible POS system built around the power of the IBM PC AT.

Introducing a completely new, drugstore point-of-sale system from IBM.

At the heart of the system is an in-store IBM Personal Computer AT that controls your registers and runs your office applications. But this is no ordinary PC AT. One peek under the covers reveals some very sophisticated cards. One of these cards handles the "store loop," or communications connecting all of the terminals to the controller. A second card handles telecommunications with IBM mainframe computers.

Terminal Intelligence

If the controller is the heart of our system, then the new IBM 4683 POS Terminals are the muscle.

Like the controller, the Model 1 terminal also has the intelligence of the PC AT, along with 1 Mb of memory. It can even support the more economical Model 2 terminal.

Both terminals look alike, and by attaching a number of retail devices you can create your own customized terminal configurations. These devices include a choice of displays, scanners, a credit card reader, even a second cash drawer. And these components work together just as well in a distributed system. So you can stow the processor and cash drawer out of sight, for example. All of which gives you the flexibility to grow.

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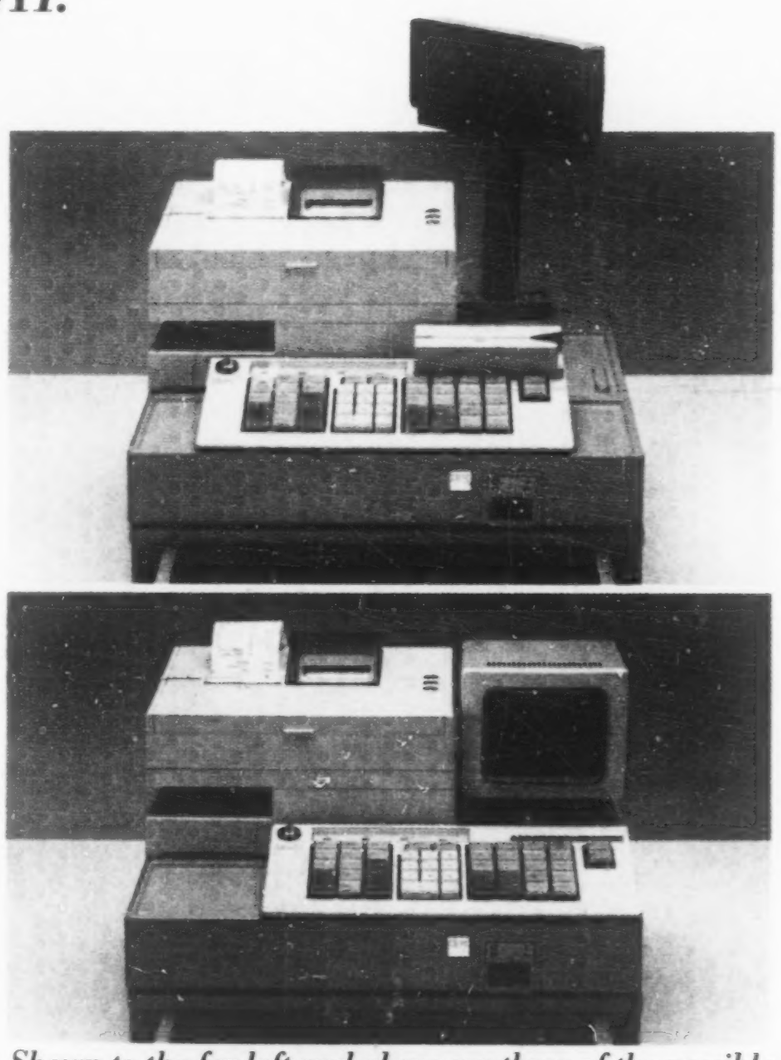
New IBM software is written, tested and ready to go. And it can be customized using the IBM 4680 BASIC language.

For more information on the counter revolution, talk to your IBM marketing representative or see your nearest IBM authorized Store System Value Added Dealer. For literature, use the coupon or call 1 800 IBM-2468, Ext. CF/315.



Shown to the far left and above are three of the possible configurations of the IBM 4683 Point of Sale Terminals.

IBM

IBM
DRM, Dept. CF/315
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Montvale, NJ 07645

10/27

☐ Please send me information on the IBM POS System.
☐ Please have an IBM marketing representative call me.

Name_____ Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Phone_____

Retailer satisfaction with electronic point-of-sale registers (EPOS)

Application/benefit	% of retailers rating "very important"	% of retailers "extremely/very satisfied"	% of retailers not satisfied or not using application
Timely/accurate price updates	86%	71%	7%
Analysis of promotional effectiveness	76	43	7
Gross margin analysis	72	43	14
Reduction of out-of-stocks	69	14	36
Efficient throughput at checkout	66	14	7
Productivity increases	62	14	14
Labor cost savings through elimination of item pricing	59	21	79
Efficient labor scheduling	48	21	79
Identifying areas vulnerable to internal theft	41	21	57

Source: *Drug Store News* Computer Technology Survey

Chains try front-end systems

Continued from page 43

"We can't cost-justify integrating the Rx computer with POS," Bowman said. However, he is eying a two-year payback on the NCR POS system that Medicare-Glaser is installing to eliminate item price marking and track performance of advertised items to make fliers more effective. The POS registers are hooked into a master register that communicates with headquarters.

On a grander scale, Rite Aid made price removal (elimination of item price marking) and centralized price control its two main criteria for a front-end data management system.

The integrated Rite Aid system links pharmacy computers with its front-end scanning systems. Pharmacy software is compatible with front-end programs, enabling data to be brought from Rx to the front-end and reside in the front-end system in a separate file. Rx and front-end data can be transmitted together to the headquarters IBM mainframe with a single phone call from the host.

Rite Aid's Groelly said that scanning, through a series of hard and soft benefits, added 1 to 1.5 percentage points to supermarkets' net earnings. Price control and price removal, shrink control and inventory control are the key factors, he noted. "We'll see similar results in the drug store industry," added Groelly, a veteran of Wakefern Food.

He said further that when a chain introduces scanning to stores, it "highlights the control aspects of everyone's job in the store. It has a positive influence."

Moreover, price removal doesn't pose a consumer problem in drug stores because supermarkets have already trained shoppers, who have grown used to scanning procedures, several MIS drug industry executives agreed.

Similarly, Walgreens intends to install microcomputers chainwide by the early 1990's to augment pharmacy computers, which are already in every store.

Walgreens' WIN

Its WIN (Walgreens Information Network) system is expected to be enhanced by an on-line credit card authorization system that will save the chain almost $3 million annually in reduced bank charge fees, according to a *Drug Store News* report earlier this year. That credit card system could be in place by as early as next year.

The combined WIN and INTERCOM pharmacy computer system would make Walgreens "the most computerized and automated, by far, in the industry," chairman and ceo Charles "Corky" Walgreen told shareholders at the company's latest annual meeting.

Meanwhile, SupeRx has focused its attention on an automated cash register system that calculates ongoing gross profit.

The system, operating in 80 stores out of 540 now, gives a "projectable sample," a chain spokesman said.

It gives summary reports of gross profit yield and per cent-off transactions daily or weekly, and the hardware is plug-compatible with a hand-held scanning system, which is being tested currently in one store.

"The gross profit information obtained from the test stores is sufficient for us to estimate chainwide gross profit, but doesn't allow monitoring of individual stores or districts," said MIS director Chuck Hartman. **—Al Heller**

Mixing pharmacy with business can be a nightmare if you don't have the system for it.

Condor's Rx-80 just might be the best pharmacy software system *ever* developed—the management system of your dreams. That's because it has all the things software should have: good design, easy installation and maintenance, versatility, transportability. It's easy to learn. To use. And it's efficient.

Rx-80 runs on virtually any computer system, so compatibility with your existing hardware isn't a problem. And because we designed Rx-80 to be totally updatable, it will never fall prey to that old demon Obsolescence—even if you change computer systems.

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And Rx-80 puts an end to those "new-employee-training horrors." Newcomers can learn to fill and refill prescriptions in minutes because most responses to prompts are entered in single keystrokes. But we didn't forget the old pros. Experienced users will find all the features they need to maximize the system's outstanding speed and flexibility.

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Survey shows Rxers like counseling best

NEW YORK — Practicing pharmacists prefer counseling patients about their prescriptions more than filling those prescriptions.

That was a major finding in a nationwide survey conducted by Schering Laboratories of pharmacists who practice in chain, independent, and hospital settings. The pharmacists were asked to choose their three most favored activities from a list of 15.

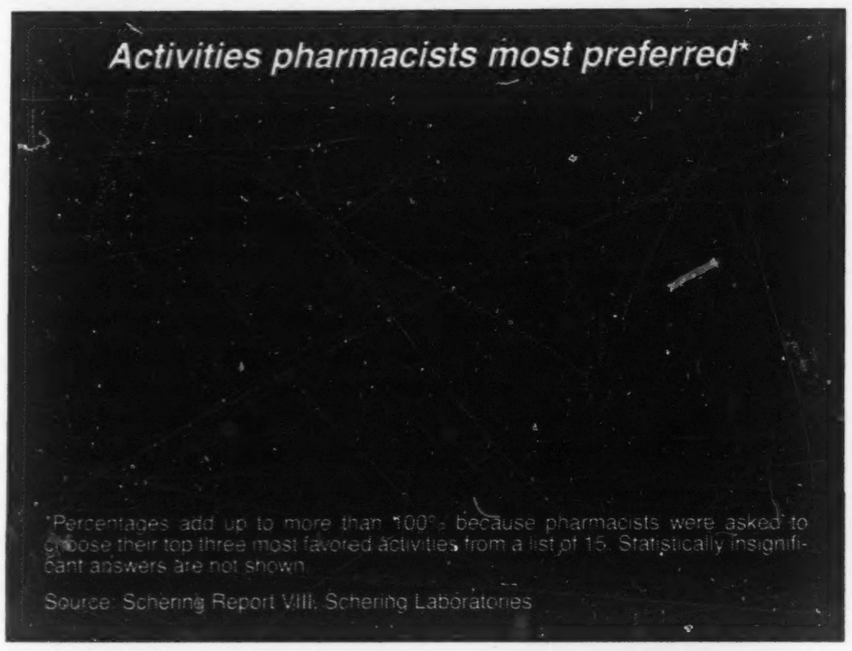
According to the Schering Report VIII, 70% of both chain and independent pharmacists surveyed said that counseling patients about their prescriptions was among the activities they most preferred, while 53% indicated that filling prescriptions was among their most preferred activities.

In other activity categories, 43% of the pharmacists said that advising patients about OTC medications was among the most important to them, while 35% indicated that consulting the physicians was among the activities considered most important.

Age differences

The report found that the pharmacist's age makes a difference in what activities he or she most prefers.

According to the study, 45% of the pharmacists under 40 said that filling prescriptions was among the most important to them, compared to 65% of those over 40.


Activities pharmacists most preferred*
*Percentages add up to more than 100% because pharmacists were asked to choose their top three most favored activities from a list of 15. Statistically insignificant answers are not shown.
Source: Schering Report VIII, Schering Laboratories

Most liked

Overall, the study indentified three distinct areas in which pharmacists would like to spend more of their time:

- Personal contacts with patients and other health professionals.
- Professional activities including maintaining patient profiles, information files and serving on professional committees.
- Educational activities like continuing education and participating in public education, particularly helping teenagers learn more about drug use and its abuse.

Most disliked

Three areas where pharmacists would like to spend less time included:

- Clerical work (insurance forms, etc.).
- Stocking shelves.
- Business (handling cash, charges and dealing with salesmen).

Pharmacist-physician relationship

More than half (57%) of pharmacists polled indicated that doctors do not treat pharmacists as equals, compared to 41% who said they do.

Of those 41% that believe the physician treats them as equals, more than half (53%) were able to recall friendly relations with doctors.

"Doctors show professional courtesy and respect," said one pharmacist. "They're friendly, call me by my first name and I call them by theirs. We have frequent contacts. They play fair with me; they talk to me in a respectful tone."

Pharmacists additionally feel that doctors treat them as equals in seeking advice. Thirty-one per cent of the pharmacists in this group said that doctors ask about drugs, dosages, side effects and advice on drug companies. Another 20% said that the physician respects the pharmacist's knowledge.

"They listen to what I say; they accept my recommendations. I have no problem with doctors," said one pharmacist.

Of those pharmacists who feel they are not treated as equals by doctors, 38% pointed to doctors putting themselves on a higher plane than the pharmacist while another 32% of this group felt that doctors often ignored the opinion of the pharmacist or talked down to them.

Pharmacists attitudes on Rx-to-OTC switching

More than half (57%) of the pharmacists questioned said that the shift of Rx products to OTC has had a definite impact on the profession while 45% said the switching has had no effect.

Of those that felt the switching has had a definite effect on the pharmacist, 29% said that it gave pharmacists a greater opportunity to counsel patients and use their professional knowledge.

Only 3% felt that the shift from Rx to OTC means filling fewer prescriptions.

Attitudes about women in pharmacy

Greater than half (56%) of the pharmacists surveyed said they felt that the entry of women into the profession would not make any difference. Slightly more than a third (35%) said that the increase in the number of women will have a positive effect and 9% felt that the entry of women will have a negative effect.

Of those 9%, the biggest complaint was that women would eventually marry and raise a family. Some believe that the pay scale would be lowered because women are willing to work for less money.

On the positive side, many said that women are more compassionate and understanding, and the increase of women in pharmacy would help to offset any shortage of pharmacists because many are willing to work part-time.

Professional memberships

Nearly half (48%) of the pharmacists surveyed said they are currently members of national professional organizations.

The most active participants in professional organizations were hospital pharmacists. The study found 67% of hospital pharmacists belong to a national pharmacy association, compared to 50% for pharmacists who work in independent pharmacies and 28% of chain pharmacists.

The study showed that more women than men (58% vs. 45%) are members of a national pharmacy association and city pharmacists greatly outnumber suburban pharmacists in membership (55% vs. 40%).

Benefits of belonging

Among the reasons given for belonging to an association were education and information (newsletters, publications etc.), financial benefits (group insurance plans), social benefits (conventions and meetings), and influence upon legislation.

Some of the reasons pharmacists gave for not joining a professional association were that the associations are not worthwhile, cost is too expensive, they just haven't gotten around to joining or they don't have the time.

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Over 600 professional pharmacists nationwide have taken control of their lives and stopped being "order takers."

Like you, Dave and Peggy Rokosz spent years working behind the counter and in the aisles of chain drugstores. Rather than spend the rest of their life there, they bought a Medicine Shoppe pharmacy.

"We wanted to run a professional pharmacy and keep the profits of our hard work," said Dave Rokosz. "Plus, we wanted to make our own decisions and spend more time with our family."

Just two years after opening their Medicine Shoppe, the Rokosz's are filling more scripts per day than the average chain drugstore — in half the time and one-tenth the space. And . . . not one order from "the boss."

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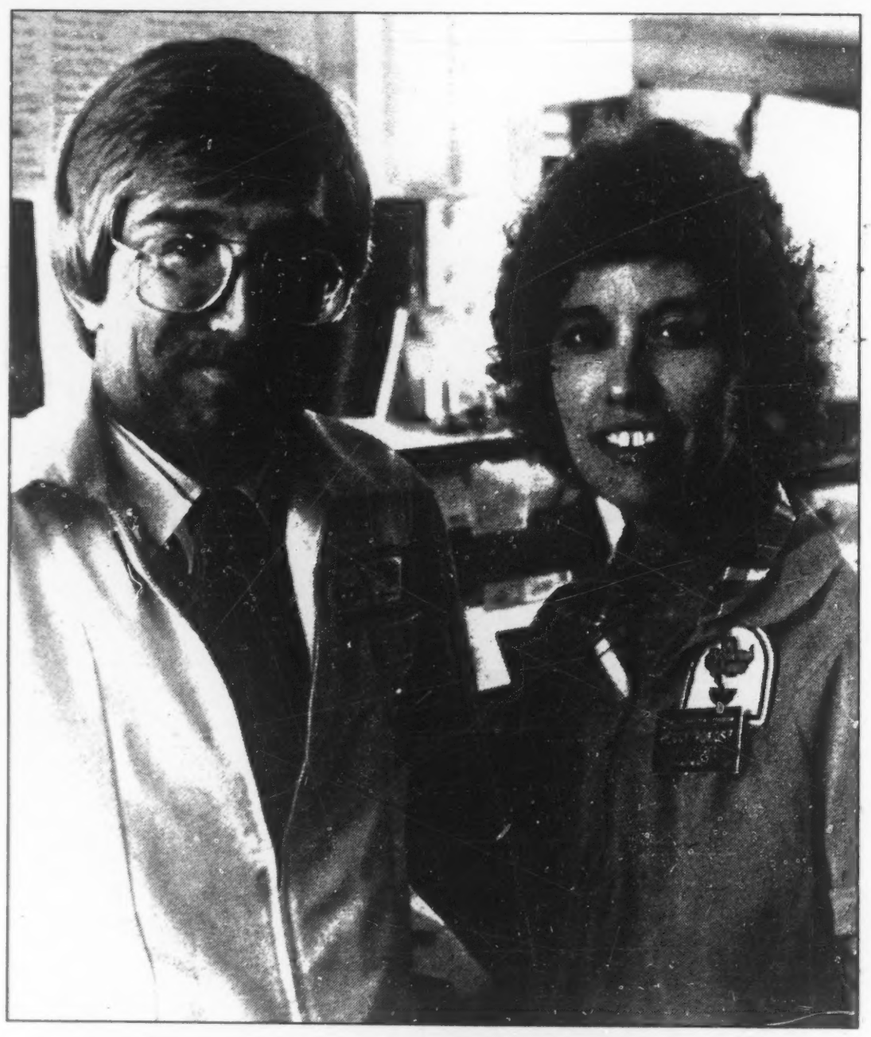

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